

Idaho Energy Buzz

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You May Qualify For Some Energy Tax Credits

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Now that the new federal energy efficiency tax credits are effective, you may be wondering what qualifies under this law. The Energy Policy Act of 2005, signed into law by President George W. Bush, is designed to make it easier for American families and businesses to reduce energy costs at home, work, and on the road.

The law provides tax credits for making your principal residence, which must be in the United States, more energy efficient and for buying energy-efficient items. At the same time, the law provides credits for various types of alternative motor vehicles, including hybrids. According to the Internal Revenue Service, the credits are available for buildings or systems placed in service from Jan. 1, 2006, through Dec. 31, 2007.

A \$500 cap applies to each home over this two-year period, including the amount received for heating and cooling equipment. So if you take a \$350 credit the first year, the maximum credit in the second year is \$150. For some measures, such as insulation, a homeowner can take a credit of up to 10 percent of the cost.

Energy Star windows will almost always qualify, but have a cap of \$200. In fact, some metal roofs with pigmented coatings that meet Energy Star requirements also qualify for tax incentives.

Other credit amounts apply for some individual measures. High efficiency heating, cooling, and water heating equipment can take tax credits of up to \$300. The eligible equipment includes high-efficiency gas, oil, and propane furnaces and boilers, \$150 credit; high-efficiency central air conditioning units, including air-source and ground-source heat pumps, \$300 credit; high-efficiency fans for heating and cooling systems, \$50 credit; and high-efficiency water heaters, including heat pump water heaters, \$300 credit.

Commercial building owners are also eligible for tax benefits under the new law. The provision applies to both new construction and retrofits placed into service during the same 2006-2007 time period. Business owners who install alternative energy systems may qualify for tax credits, too. Those installing qualifying solar power equipment or fuel cells can get up to a 30 percent tax credit.

If you bought or leased a new clean-fuel or hybrid vehicle by the end of 2005, or plan to do so in 2006 or 2007, it may be eligible for a one-time "Clean-Fuel" vehicle tax deduction of up to \$3,400, depending on how fuel-efficient the vehicle is rated, according to the IRS. The amount of the tax credit depends on when the vehicle is purchased, so consumers seeking the best credit may want to buy early in 2006.

If you still have questions about credits, you are encouraged to do a little research. Details of what measures and equipment will qualify for credits should soon be available (if not already) in IRS publications. Questions can also be directed to the IRS or your tax preparer.

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